



Core Banking System Conversion Business Case

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Table of Contents

Project Description	Page 1
Business Need/Problem	Page 1
Business Solution	Page 2
Core Update	Page 2
Item Processing Update	Page 2
Consistency/Fit with Mission	Page 3
Anticipated Benefits	Page 3
Cost Estimate	Page 4
Project Risks	Page 4

Project Name: Core Banking System Conversion Project

Project Short Name: Core Conversion Project

Agency: Bank of North Dakota (BND)

Business Unit/Program Area: Banking Services, Accounting Services, and Loan services, ITS, Retail Services, Treasury, Operations Department, Customer Services. All areas of the Bank will be involved to some extent.

Type of Project: New Initiative – Change in Core Banking/Item Processing System

Date: Start Date – March 30, 2005; Target Implementation – November, 2005; Target Finish Date Wrap-up of all post-conversion work) – March, 2006

Project Description

The Bank of North Dakota is seeking to convert their existing core banking systems over to a new integrated solution. The new solution will also combine all service areas onto the same core software streamlining operations for their employees and adding functionality that offers new services as well as making it easier for the Bank's customers to use the. The Bank will use the services of Cornerstone Advisors, Inc. to assist in the RFP process, the core system selection and negotiations with the vendor after the system has been selected.

Business Need/Problem

BND has outgrown the lifecycle of its current Core Banking solutions. These systems are outdated and disparate. With the advances available in modern technology, the Bank has identified a need to upgrade the existing legacy system in order to provide customers more accurate, timely, and robust interaction with BND and to increase the efficiency of internal operations. To allow BND to remain competitive in the banking industry it is necessary for the Bank to move beyond the currently installed technology.

In addition, in order to comply with the Check 21 Act (Federal legislation relating to imaged check processing), BND will be acquiring and installing a new Item Processing system and hardware.

Business Solution

BND intends to work with Cornerstone Advisors, Inc. to specifically identify the Bank's needs and issue RFP's for the Core Banking solution and Image Processing. Cornerstone Advisors, Inc. will assist in the scoring and selection process for the core banking solution as well as negotiations with the selected vendor.

Core Update

The Bank has undergone a complete due diligence and system selection process led by Cornerstone Advisors, Inc. to choose a consolidated single Core Banking system, Fiserv ITI. This is a complete integrated solution including Accounting; CIF; G/L; Loans; Deposits; Teller Platform; New Accounts Platform; Internet Banking; and various other related ITI modules and sub-systems.

Fiserv ITI will also be providing various interfaces to BND required for third party solutions including but not limited to: IPAY; Harland LaserPro; Baker Hill; Loan Pipeline Residential Real Estate Loan System; Fixed Assets; PeopleSoft; PACE; Fed Funds System; Nortel Telephone Banking System; IPS Sendaro; FundTech; Item Processing; and the Bank's Student Loans systems.

Item Processing Update

The Item Processing System that was chosen by the Bank of North Dakota is the Advanced Financial Solution (AFS) system. Implementation of this solution will facilitate BND's compliance with the Check 21 Act. Implementation of this product is targeted for October, 2005.

Consistency/Fit with Organization's Mission

The new Core Banking solution will assist Bank of North Dakota in fulfilling the Bank's mission: *To Deliver Quality, Sound Financial Services that Promote Agriculture, Commerce and Industry in the State of North Dakota*. Based on its unique ownership and mission, and recognizing the need to continually adapt to changes in customer needs, competition, marketplace issues and the regulatory environment, BND has established the following strategic initiatives for 2005-2007:

- Develop partnerships that deliver quality programs and services to expand the economy of North Dakota.
- Maintain the strength and financial integrity of Bank of North Dakota.
- Generate a consistent financial return to the State of North Dakota.
- Provide a culture that develops people and is a model of efficient business and government.

The proposed Core Banking and Item Processing project is directly aligned with the mission of the Bank of North Dakota and supports the accomplishment of the Bank's strategic objectives.

Anticipated Benefits

1. Improve operating efficiency and the provision of customer services by converting the existing system to an integrated and modern core system.
2. Eliminate, to the fullest extent possible, the inefficient and outdated existing legacy systems.
3. Comply with the Federal Check 21 Act item processing regulations

Cost Estimate

The initial estimate for the Core - I/P Project was \$3.3 million with recognition that some costs were still unresolved. The project estimate is now \$3.5 million as additional costs are further defined.

Project Risks

1. The project will exceed the original project schedule.
2. The project will exceed the original project budget.
3. The project will not obtain the quality levels originally anticipated.
4. The project will be negatively impacted by scope changes.
5. BND resources will not be available as needed for critical project tasks due to normal BND operational requirements.

Update

BND has further reviewed the high level risks to the project and has determined that professional project management with specific and extensive experience in the conversion and implementation of Fiserv ITI software is required, based on the Bank's due diligence work. BND has issued an RFP and subsequently secured a Project Manager who is highly experienced in the implementation of this particular technology (Terrie Cloud of Vitex, Inc.). In addition, BND has adopted the State's project management methodology for this and future projects at BND.